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## **REAL NUTRICEUTICAL GROUP LIMITED**

**瑞年國際有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2010)**

### **CONNECTED TRANSACTION TECHNOLOGY TRANSFER AGREEMENT**

On 28 June 2016, Nanjing Ruinian Best Pharmaceutical Co., Ltd (“Nanjing Ruinian”), an indirect wholly-owned subsidiary of the Company, entered into the Technology Transfer Agreement with Jiangsu Ruinian Qianjin Pharmaceutical Company Limited (“Jiangsu Qianjin”), a connected person of the Company under the Listing Rules, in relation to the acquisition by Nanjing Ruinian of the Technologies in respect of the Pharmaceutical Products from Jiangsu Qianjin, which constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. Given that the highest applicable percentage ratio in relation to the Consideration, no matter considered alone or in aggregate with the Previous Connected Transactions conducted by the Group within a period of 12 months prior to the date of the Technology Transfer Agreement, was more than 0.1% but less than 5%, the Technology Transfer Agreement and the transaction thereunder will be subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

#### **THE TECHNOLOGY TRANSFER AGREEMENT**

On 28 June 2016, Nanjing Ruinian entered into the Technology Transfer Agreement with Jiangsu Qianjin in relation to the acquisition by Nanjing Ruinian from Jiangsu Qianjin of the Technologies in respect of the Pharmaceutical Products. Principal terms of the Technology Transfer Agreement are set out below.

## Date of the Technology Transfer Agreement

28 June 2016

## Parties

- Purchaser : Nanjing Ruinian, a wholly foreign-owned enterprise established in the PRC and an indirect wholly-owned subsidiary of the Company principally engaged in the manufacture and sale of pharmaceutical products in the PRC
- Vendor : Jiangsu Qianjin, a company established in the PRC and is owned as to approximately 6.45% by Mr. Wang Fucui, an executive Director and a substantial Shareholder of the Company, and as to the remaining approximately 93.55% owned by a company which is wholly-owned by Mr. Wang Futing, brother of Mr. Wang Fucui. Therefore, Jiangsu Qianjin is an associate of Mr. Wang Fucui and hence a connected person of the Company under Chapter 14A of the Listing Rules. Jiangsu Qianjin is principally engaged in the manufacture and sale of pharmaceutical products in the PRC.

## Subject matter

Jiangsu Qianjin shall transfer to Nanjing Ruinian absolutely all the Technologies in respect of the Pharmaceutical Products, namely, all the manufacturing technologies, knowhow, formulae, techniques, quality standards and all the ownership, propriety rights and intellectual property rights and interests in of the Pharmaceutical Products and all the documentation in relation thereto.

## Consideration

The total Consideration of the Transfer payable by Nanjing Ruinian to Jiangsu Qianjin is RMB20,000,000 (equivalent to approximately HK\$25,000,000), which shall be paid by Nanjing Ruinian in cash in the following manner:

1. RMB5,000,000 as part payment of the Consideration within 5 days after the date of the Technology Transfer Agreement (“**First Payment**”);
2. RMB10,000,000 as further part payment of the Consideration within 5 days after the last of (i) Jiangsu Qianjin has handed over to Nanjing Ruinian all the documentation in relation to the Technologies; (ii) the completion of trial manufacturing of sample products of 3 successive production batch members with acceptable quality level under the guidance of Jiangsu Qianjin; and (iii) the approval of the Transfer by the Authority having been obtained (“**Second Payment**”); and
3. RMB5,000,000 being the remaining balance of the Consideration within 5 days after the certificates of Good Manufacturing Practices (GMP) in respect of the manufacturing of the Pharmaceutical Products having been obtained by Nanjing Ruinian (“**Remaining Balance**”).

The Consideration was arrived at after arm's length negotiation between both parties with reference to (i) the fair value of the Technologies of approximately RMB22 million based on a valuation as at 30 April 2016 prepared by an independent valuer using market approach; (ii) the Profit Guarantee given by Jiangsu Qianjin and compensation mechanism in the Technology Transfer Agreement; and (iii) the potential synergy effect of the Pharmaceutical Products with the Group's existing pharmaceutical and health products.

The Directors consider that the Consideration and the terms of the Technology Transfer Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

The Consideration will be funded by the Group's internal resources.

### **Completion**

Jiangsu Qianjin shall deliver and hand over to Nanjing Ruinian all the documentation relating to the Technologies not later than 10 days after the First Payment is paid by Nanjing Ruinian ("**Hand Over**").

Further, pursuant to the Technology Transfer Agreement:

1. upon the completion of the Hand Over, Jiangsu Qianjin shall be deemed to have transferred to Nanjing Ruinian all the ownership, proprietary rights and intellectual property rights in the Technologies and Jiangsu Qianjin shall at the same time cease to own any right in the Technologies;
2. upon the completion of the Hand Over, Jiangsu Qianjin shall cease to hold any production license or approval in respect of all the Pharmaceutical Products and drugs with the same names as those of the Pharmaceutical Products and Jiangsu Qianjin shall cease to manufacture and shall not manufacture any of the Pharmaceutical Products and drugs with the same names from the date of Hand Over;
3. within 10 days after the First Payment is paid by Nanjing Ruinian, both parties shall submit application for approval of the Transfer to the Authority and Jiangsu Qianjin shall also submit its applications for cancellation of all the manufacturing licences and approvals of the Pharmaceutical Products and drugs with the same names upon completion of the Transfer.

### **Other obligations of Jiangsu Qianjin**

Upon the First Payment is paid by Nanjing Ruinian, Jiangsu Qianjin shall assign its representatives with appropriate qualifications to provide necessary assistance to Nanjing Ruinian in completion the trial manufacturing, scaling up the manufacturing after successful trial manufacturing, validation of manufacturing process parameters and batch production, and completion of trial manufacturing of sample products of 3 successive production batch numbers with acceptable quality level, and assist Nanjing Ruinian to pass the onsite inspection conducted by the relevant drug administration authorities to obtain the relevant certificates issued by such authorities in respect of the Pharmaceutical Products to be manufactured by Nanjing Ruinian.

## **Profit guarantee given by Jiangsu Qianjin**

Jiangsu Qianjin has unconditionally and irrevocably guaranteed to Nanjing Ruinian that each of the 2016 Net Profit and 2017 Net Profit attributable to the Pharmaceutical Projects as shown in the 2016 Audited Accounts and 2017 Audited Accounts respectively shall not be less than RMB2 million (“**Profit Guarantee**”), failing which Jiangsu Qianjin shall compensate Nanjing Ruinian for the shortfall by cash within 7 days after the 2016 Audited Accounts and/or (as the case may be) the 2017 Audited Accounts is provided to Jiangsu Qianjin. For the avoidance of doubt, in determining whether and how much of the shortfall which is required to be compensated by Jiangsu Qianjin to Nanjing Ruinian, the calculation shall be done by reference to 2016 Net Profit and 2017 Net Profit separately and the aggregate amount of 2016 Net Profit and 2017 Net Profit or the average value of 2016 Net Profit and 2017 Net Profit shall not be used.

## **Liability for breach**

In the event any party breaches the Technology Transfer Agreement, the defaulting party shall pay a compensation to the non-defaulting party equivalent to 0.03% of the Consideration payable daily during the period when the default continues as liquidated damages, and if the default is not rectified within 30 days after its occurrence, the non-defaulting party shall have the right to rescind the Technology Transfer Agreement and require the defaulting party to pay a compensation equivalent to 20% of the Consideration as liquidated damages, and if the non-defaulting party is Nanjing Ruinian, to require the defaulting party to return all the Consideration already paid by the non-defaulting party.

In the event that the necessary approvals for the Transfer issued by the Authority cannot be obtained within 3 months after the Completion Date, or if any of the applications submitted for the Transfer is rejected by the Authority for reasons not attributable to any default of Nanjing Ruinian under the Technology Transfer Agreement, Nanjing Ruinian shall have the right to rescind the Technology Transfer Agreement. Under such circumstances, Jiangsu Qianjin shall return all the Consideration already paid by Nanjing Ruinian and Nanjing Ruinian shall return all the documentation relating to the Technologies received from Jiangsu Qianjin as full and final settlement of both parties' rights and liabilities under the Technology Transfer Agreement.

## **REASONS FOR ENTERING INTO THE TECHNOLOGY TRANSFER AGREEMENT**

The Company is an investment holding company while the Group is principally engaged in the manufacture and sale of health and nutritional supplements, beverages and pharmaceutical products. Jiangsu Qianjin is principally engaged in the manufacture and sale of pharmaceutical products in the PRC.

Nanjing Ruinian is principally engaged in the manufacture and sales of pharmaceutical products. The Group continues to explore opportunities to broaden its product portfolio and leverage on its existing marketing infrastructure to enhance its operational efficiency. The Directors believe that the acquisition of the Technologies in respect of the Pharmaceutical Products would enrich and diversify the product portfolio of the Group and enhance its operational efficiency in its business of manufacture and sale of pharmaceutical products in the PRC. In addition, considering the long and stringent approval process which are expected to be involved in order to obtain the production permits of the pharmaceutical

products in the PRC, the technologies together with the relevant production permits for producing a marketable pharmaceutical product are considered assets of considerable scarcity and market value. Also, considering the costs and resources required to be devoted in carrying out research and development of the Pharmaceutical Products if the Group were to develop the technologies, techniques, formulae and knowhow from scratch on its own, and given that Nanjing Ruinian has the production facilities and marketing infrastructure on hand for manufacturing and selling the Pharmaceutical Products, the Directors believe that the acquisition of the Technologies represents a good opportunity for the Group to enrich its product portfolio in a fast pace so that the Group could launch the Pharmaceutical Products for sale in short term to generate revenue while at the same time it could better concentrate its resources and efforts in production and marketing of products.

The Directors (including the independent non-executive Directors) consider that the acquisition of the Technologies contemplated under the Technology Transfer Agreement is of a type that is entered into in the ordinary and usual course of business of the Group and the terms of the Technology Transfer Agreement were reached between the Company and Jiangsu Qianjin through arm's length negotiations and on normal commercial terms or better to the Group.

Given the above, the Directors (including the independent non-executive Directors) consider that the transaction under the Technology Transfer Agreement and the terms thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### **LISTING RULES IMPLICATIONS**

Jiangsu Qianjin is owned as to approximately 6.45% by Mr. Wang Fucui, an executive Director and a substantial Shareholder of the Company, and the remaining approximately 93.55% is held by a company which is wholly-owned by Mr. Wang Futing, brother of Mr. Wang Fucui. As Mr. Wang Futing is an associate of Mr. Wang Fucui pursuant to Chapter 14A of the Listing Rules, Jiangsu Qianjin which is controlled by Mr. Wang Futing is also an associate of Mr. Wang Fucui and accordingly, the transaction under the Technology Transfer Agreement constituted a connected transaction of the Company under the Listing Rules. Given that the highest applicable percentage ratio in relation to the Consideration, no matter considered alone or in aggregate with the Previous Connected Transactions conducted by the Group within a period of 12 months prior to the date of the Technology Transfer Agreement, was more than 0.1% but less than 5%, the Technology Transfer Agreement and the transaction thereunder will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Wang Fucui has a material interest in the Technology Transfer Agreement and the transaction thereunder, he has abstained from voting on the relevant board resolutions for approving the Technology Transfer Agreement and the transaction thereunder.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2016 Audited Accounts”	the audited financial statements of Nanjing Ruinian for the year ending 31 December 2016 audited by qualified accountants in accordance with generally accepted accounting policies of the PRC
“2016 Net Profit”	the audited net profit (loss) after tax (after deduction of extraordinary items) of Nanjing Ruinian attributable to the Pharmaceutical Products as shown in the 2016 Audited Accounts
“2017 Audited Accounts”	the audited financial statements of Nanjing Ruinian for the year ending 31 December 2017 audited by qualified accountants in accordance with generally accepted accounting policies of the PRC
“2017 Net Profit”	the audited net profit (loss) after tax (after deduction of extraordinary items) of Nanjing Ruinian attributable to the Pharmaceutical Products as shown in the 2017 Audited Accounts
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Authority”	Jiangsu Food and Drug Administration (江蘇省食品藥品監督管理局)
“Board”	the board of Directors
“Company”	Real Nutraceutical Group Limited, a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange as may be amended, supplemented and modified from time to time
“Pharmaceutical Products”	pharmaceutical products in relation to which the Technologies for manufacturing of the same shall be transferred from Jiangsu Qianjin to Nanjing Ruinian pursuant to the Technology Transfer Agreement, namely, Telmisartan Tablets (40 mg) (替米沙坦片(40mg片劑))、Licorzine Granules (1.5g) (甘草鋅顆粒(1.5g顆粒劑))、Licorzine Granules (5g) (甘草鋅顆粒(5g顆粒劑)) and Spironolactone Tablets (20 mg) (螺內酯片(20mg片劑))
“PRC”	the People’s Republic of China which, for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Previous Connected Transactions”	the sale and purchase of pharmaceutical products between the Group as purchaser and Jiangsu Qianjin as supplier conducted during the period of 12 months immediately prior to the date of the Technology Transfer Agreement, details of which were announced by the Company in its announcement dated 29 April 2016
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company, or if there has been a subdivision, consolidation, reclassification of or reconstruction of the share capital of the Company, shares forming part of the ordinary share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Technologies”	all the manufacturing technologies, knowhow, formulae, techniques, quality standards and all the ownership, propriety rights and intellectual property rights and interests in of the Pharmaceutical Products and all the documentation in relation thereto
“Technology Transfer Agreement”	the Technology Transfer Agreement entered into between Nanjing Ruinian and Jiangsu Qianjin dated 28 June 2016 in respect of the transfer of the Technologies from Jiangsu Qianjin to Nanjing Ruinian

“Transfer” the transfer of the Technologies from the Jiangsu Qianjin to Nanjing Ruinian pursuant to the Technology Transfer Agreement

“%” per cent.

*In this announcement, unless otherwise specified, RMB has been converted into HK\$ at the exchange rate of RMB1:HK\$1.25 for illustrative purpose only. Such conversion shall not be construed as representations that amount of RMB was or could have been converted into HK\$ at such rate or any other exchange rates.*

By order of the Board  
**Real Nutraceutical Group Limited**  
**Poon Yick Pang, Philip**  
*Company Secretary*

Hong Kong, 28 June 2016

*As at the date of this announcement, the executive Directors are Mr. Wang Fucui, Mr. Yu Yan, Mr. Li Lin, Mr. Yi Lin, Mr. Zhang Yan and Ms. Au-Yeung Kam Ling Celeste; the independent non-executive Directors are Dr. Wong Lung Tak Patrick, BBS, J.P., Dr. Fong Chi Wah, Mr. Xu Hua Feng and Mr. Chan Kee Ming.*